

# Service Area Plan

## Department of General Services

### Statewide Leasing and Disposal Services (72705)

## Service Area Background Information

### Service Area Description

The Division of Real Estate Services (DRES) provides real estate portfolio management, transactional and strategic planning services to state agency customers by collaborating with agencies to meet their real estate needs while ensuring quality and efficiency and managing costs.

### Service Area Alignment to Mission

By aligning real estate subject matter experts to assist our customers in statewide real estate portfolio management, transactional services and strategic real estate planning, DRES will recognize the goals of leading the way in change and innovation by introducing best practices in real estate management, improving our customers' business processes, strengthening our customers' safety and security through upgrades in physical space and providing cost effective and efficient services.

### Service Area Statutory Authority

Division of Engineering and Building Statutory Authority related to real estate:

§ 2.2-1136 - Review of easements; maintenance of real property records.

§ 2.2-1137 - Location, construction or lease of state consolidated office buildings.

§ 2.2-1140 - Assignment of office space.

§ 2.2-1147 through 2.2-1156 - General statutes regarding real estate transactions by departments, agencies and institutions of the Commonwealth.

§ 2.2-1100 of the Code of Virginia, amended on March 21, 2005, in House Bill 1944 provides authority of the Director the Department of General Services to "create new divisions within the Department and to assign or reassign the duties of the Department's divisions to whatever divisions as may best perform them". DRES is being formally created July 1, 2005, pursuant to this authority.

### Service Area Customer Base

Customer(s)	Served	Potential
General Public (visitors to state offices) (Unlimited)		
Landlords	1,500	1,400
Local Governments (partners in certain real estate transactions)	25	131
State Agencies and institutions (primary customers)	96	96
State Employees (users of space)	112,455	112,455

### Anticipated Changes In Service Area Customer Base

Transition of real estate transaction negotiations from agency resources to DRES including DRES's use of tenant brokers and the consolidation of leases with larger, more sophisticated landlords where applicable will likely result in a more competitive leasing process for incumbent landlords than has transpired in the past when agencies handled their own leasing initiatives.

As a result of the Restructured Higher Education Financial and Administrative Operations Act, certain existing state educational institutions' customers are expected to pursue independent authority for real estate portfolio and transaction management over time.

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#### **Service Area Partners**

- Office of Attorney General
- The Planning Partnership - Space Programming and Planning
- CB Richard Ellis - Tenant Broker representation

#### **Service Area Products and Services**

- Real Estate Information Database
- Real Estate Portfolio Management and Strategic Planning
- Transactional Negotiation Support (Leasing, Acquisition, Disposal, Easements)
- Transactional Documentation Support
- Space Programming and Planning

#### **Factors Impacting Service Area Products and Services**

Transition of real estate related tasks previously conducted by agency resources to DRES will meet with resistance at times from certain agency customers and could adversely impact the pace of fully achieving the potential cost savings from consolidated real estate portfolio management.

As the Real Estate Initiative gains traction, more complex collocations of multiple agencies in leased and owned space will be pursued statewide and managed by the DRES. Additionally, the number of PPEA projects involving a real estate component is expected to increase.

#### **Anticipated Changes To Service Area Products and Services**

DRES's new role pursuant to the Real Estate Initiative is changed to provide a "one stop shop" to coordinate and provide real estate subject matter expertise to all real estate related needs of its agency customers. This currently includes space programming/planning, space solicitations, and transaction negotiation and documentation. In the future, this role may be expanded to include other ancillary real estate related services such as lease administration, move planning/coordination, and construction administration for lease space build-outs.

It is anticipated that DRES will need to provide in-house statewide project management services (i.e. construction oversight, move planning, etc) in the future to supplement agency resources in managing multi-agency real estate collocation projects.

It is anticipated that DRES will administer an updated/upgraded real estate information system to manage the Commonwealth's owned and leased real estate holdings in the future.

It is anticipated that DRES will publish updated real estate related policies, procedures and transaction form templates in the future.

#### **Service Area Human Resources Summary**

##### **Service Area Human Resources Overview**

The creation of DRES and the implementation of the Governor's Real Estate Initiative involve a fundamental transformation in the manner in which the Commonwealth has historically managed its real estate portfolio. DRES is essentially a start-up organization. Former Bureau of Real Property Management (BRPM) staff positions must be transformed to emphasize customer service and the ability to manage contract service providers. Additionally, DRES is significantly growing the organization and will require active recruitment of several experienced real estate professionals over the next two years. The majority of these new hires are expected to come from the private sector and therefore will require additional training

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in various aspects of the Commonwealth's way of doing business.

#### Service Area Full-Time Equivalent (FTE) Position Summary

Effective Date:

Total Authorized Position level ..... 0

Vacant Positions ..... 0

Non-Classified (Filled)..... 0

Full-Time Classified (Filled) ..... 0

Part-Time Classified (Filled) ..... 0

Faculty (Filled) ..... 0

Wage ..... 0

Contract Employees ..... 0

Total Human Resource Level ..... 0

#### Factors Impacting Service Area Human Resources

##### Anticipated Changes in Service Area Human Resources

In addition to the currently vacant positions, DRES is targeting creation up to 6 new positions over the next twelve to twenty-four months as the organizational ramp-up and Real Estate Initiative roll-out continues.

#### Service Area Financial Summary

The general fund includes amounts established for the former Bureau of Real Property Management of the Division of Engineering and Buildings. Non-general fund amounts are to be funded via establishment of an Internal Service Fund and the Treasury Line of Credit discussed below.

A treasury Line of Credit of \$2,100,000 was established pursuant to §3-2.03 for a Department of General Services for the Real Estate Internal Service Fund. This Line of Credit is intended to supplement the former BRPM general fund allocation in funding the DRES start-up costs pending full roll-out of approved JLARC internal service fund rates for real estate.

	<u>Fiscal Year 2007</u>		<u>Fiscal Year 2008</u>	
	General Fund	Nongeneral Fund	General Fund	Nongeneral Fund
<b>Base Budget</b>	\$610,202	\$0	\$610,202	\$0
<b>Changes To Base</b>	\$542,724	\$0	\$61,619	\$368,707
<b>SERVICE AREA TOTAL</b>	<b>\$1,152,926</b>	<b>\$0</b>	<b>\$671,821</b>	<b>\$368,707</b>

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## Service Area Objectives, Measures, and Strategies

### Objective 72705.01

***Advance DRES's customer service focused portfolio management mission to the Commonwealth's agencies and landlord community.***

Integrate DRES into the agencies' real estate transaction cycles and ramp up DRES portfolio management activities on behalf of respective agency customers.

#### **This Objective Supports the Following Agency Goals:**

- Lead the way in change and innovation
- Improve our customers' business processes
- Strengthen our customers' safety and security condition
- Provide cost effective and efficient services

#### **This Objective Has The Following Measure(s):**

- **Measure 72705.01.01**

***Number of new hires against targeted hiring plan.***

**Measure Type:** Output

**Measure Frequency:** Annually

**Measure Baseline:** New measure, fully verified baseline data not available. Baseline will be established using FY06 data.

**Measure Target:** Complete DRES initial organizational ramp-up (addition of 6 FTEs) hiring by June 30, 2006.

**Measure Source and Calculation:**

Total division headcount by June 30, 2006

- **Measure 72705.01.02**

***Number of real estate transactions fully completed by DRES.***

**Measure Type:** Output

**Measure Frequency:** Annually

**Measure Baseline:** New measure, fully verified baseline data not available. Baseline will be established using FY06 data.

**Measure Target:** One hundred per cent of agency real estate solicitations, lease negotiations and document drafting fully transitioned to DRES by June 30, 2006.

**Measure Source and Calculation:**

Count of approved transactions processed by DRES from transaction log-book.

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- **Measure 72705.01.03**

*Number of RFP solicitations initiated by DRES.*

**Measure Type:** Output                      **Measure Frequency:** Annually

**Measure Baseline:** New measure, fully verified baseline data not available. Baseline will be established using FY06 data.

**Measure Target:** Implement new department project tracking logs and establish transactional service delivery turnaround standards by June 30, 2006.

**Measure Source and Calculation:**

Count of RFP's issued from CB Richard Ellis RFP file records.

**Objective 72705.01 Has the Following Strategies:**

- Pursue statewide contracts for outsourced real estate services where applicable (appraisals, space planning, brokerage, etc.).
- Continue to meet with agency customers to promote DRES's value added service model to continue to gain agency buy-in to the Real Estate Initiative.
- Communicate Commonwealth's new mode of operation to the real estate community.
- Closely monitor service delivery and service disruptions.

**Objective 72705.02**

***Leverage the existing office real estate portfolio in the major markets of the Commonwealth.***

The Commonwealth's real estate portfolio consists of approximately 13,000 owned buildings totaling 117 million sf of space and 1500 leases for 14.5 million sf with \$140 million of annual rent. Active management of this sizable component of the Commonwealth's cost base is a critical contributing factor to ensuring that the various Commonwealth agencies are able to achieve their respective missions at the lowest possible cost to taxpayers.

**This Objective Supports the Following Agency Goals:**

- Lead the way in change and innovation
- Improve our customers' business processes
- Strengthen our customers' safety and security condition
- Provide cost effective and efficient services

**This Objective Has The Following Measure(s):**

- **Measure 72705.02.01**

*Total lease cost and sf in specific markets of the Commonwealth.*

**Measure Type:** Input                      **Measure Frequency:** Annually

**Measure Baseline:** New measure, fully verified baseline data not available. Baseline will be established following audit of existing lease data in PLATS.

**Measure Target:** Major market collocation strategies fully developed for Richmond, Norfolk, Newport News and Virginia Beach by 12/31/2005. Roanoke collocation strategy developed by 6/30/2006 and key secondary markets by 12/31/2006.

**Measure Source and Calculation:**

Summary of actual leases costs and sf for respective markets from PLATS database.

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#### **Objective 72705.02 Has the Following Strategies:**

- Reconfirm CBRE “Portfolio Plan by Submarket” to validate primary agency collocation candidates for specific markets. Coordinate with respective agencies as needed to gain their buy-in for the strategy.
- Identify specific agency space requirements via space programming studies.
- Solicit space alternatives for identified agency co-location opportunities in each market and evaluate financial costs/benefits for undertaking strategy to determine action plan on final leasing strategy.

#### **Objective 72705.03**

***Complete an internal process and workflow reorganization where possible to streamline the real estate transaction cycle and develop effective reporting metrics.***

Evaluate and modify, as needed, former Bureau of Real Property Management policies, procedures and practices to implement a more efficient and effective real estate transaction cycle to better support the agency customers.

#### **This Objective Supports the Following Agency Goals:**

- Lead the way in change and innovation
- Improve our customers’ business processes
- Provide cost effective and efficient services

#### **This Objective Has The Following Measure(s):**

- **Measure 72705.03.01**

***Number of updated policies/procedures/forms published.***

**Measure Type:** Output

**Measure Frequency:** Annually

**Measure Baseline:** New measure, fully verified baseline data not available. Baseline will be established using FY06 data.

**Measure Target:** Publish updated space policy, update primary legal form templates, review and update leasing and acquisition manuals, develop and implement tracking for occupancy costs and space allocation.

**Measure Source and Calculation:**

Count of updated forms and procedures.

#### **Objective 72705.03 Has the Following Strategies:**

- Redeploy existing DRES staff position to focus on policy, procedure reviews and updates.
- Establish benchmarks in key areas, including cost savings, space utilization, and customer satisfaction and performance measurement.
- Perform benchmarking with other states, the federal government and the private sector to identify best practices in real estate portfolio management in the following areas:
  - space standards
  - other policies and procedures
  - performance measurement tracking
- Partner with the Attorney General’s office to revise and simplify where possible real estate transaction form templates while still appropriately protecting the legal interests of the Commonwealth.

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#### **Objective 72705.04**

***Verify existing real property database and implement changes in technology systems to support the tracking of space and implementation of a more effective portfolio management strategy.***

Assess functionality of current PLATS system and develop short-term and long-term systems strategy necessary to fully integrate technology necessary into DRES's new role of real estate portfolio management on behalf of the Commonwealth's agencies and institutions.

#### **This Objective Supports the Following Agency Goals:**

- Lead the way in change and innovation
- Improve our customers' business processes
- Provide cost effective and efficient services

#### **This Objective Has The Following Measure(s):**

- **Measure 72705.04.01**

***Number and per cent of lease audits completed.***

**Measure Type:** Output

**Measure Frequency:** Annually

**Measure Baseline:** New measure, fully verified baseline data not available. Baseline will be established using FY06 data.

**Measure Target:** One hundred per cent of lease scanning complete by 12/31/2005 and lease audits complete by 6/30/2006. PLATS upgrade completed and fully functional by 6/30/2006. PLATS replacement strategy by 12/31/2006.

**Measure Source and Calculation:**

PLATS database - count of active leases verified.

#### **Objective 72705.04 Has the Following Strategies:**

- Implement technology systems changes necessary to support portfolio management functions.
  - Expand on RFI previously conducted by CB Richard Ellis to identify alternative real estate portfolio management information systems and conduct a formal request for proposal process.
- Perform lease audits to ensure accurate data.
  - Organize agency resources or outsourced third party assistance to conduct data integrity audits of existing PLATs database.